

From: "Cindy Babin" <Cindy.Babin@usccu.org> on 10/11/2007 04:40:03 PM

Subject: Truth in Lending

October 11, 2007

Submitted via email to: regs.comments@federalreserve.gov

Ms. Jennifer J. Johnson,
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1286

Dear Board of Governors:

We are responding to a request for commentary on proposed changes to the Reg. Z, Truth-in-Lending Act ending on October 12, 2007. Specifically we are addressing the proposed changes to Section 2 (a) (20) Open-End Credit.

Respectfully we would request the proposed changes in this section to be withdrawn and the original rules reinstated.

The reason for our request is due to the detrimental affect these changes will have on our credit union and the credit union industry. The credit union industry has used Multi-Featured Open-End Lending for more than 25 years. Approximately 3,500 credit unions use open-end lending as a convenient process that allows them and their members to establish long-term borrowing relationships. If the proposed regulations are to become effective, credit unions will be forced to change their lending practices. This will result in lost convenience and additional costs that will be passed along to the memberships. The lending landscape is extremely competitive. One of the most vital, competitive programs that credit unions have is Multi-Featured Open-End Lending. Most other financial institutions will not have to incur expenses to switch to closed-end lending, thus eroding the credit union's competitive position.

In addition, the proposed changes could have a double impact upon credit unions that have to switch from Multi-Featured Open-End Lending to Closed-End Lending. Since the Federal Reserve Board is also considering making changes to Closed-End Lending, credit unions would have to comply with back to back regulation that would impact a credit union's ability to serve their members effectively. Once again, impacting credit unions with additional costs that will be illustrated within this letter.

US Community Credit Union, formerly known as US Courthouse Credit Union, has been in

existence more than 50 years, and was one of the first credit unions to implement Multi-Featured Open-End Lending. During this time, we have never received a Truth-in-Lending complaint regarding the disclosures by any of our members. We believe that member education has played a major role in this accomplishment. We feel there is no problem with the disclosures on Multi-Featured Open-End Lending.

If the proposed changes are to be made, several cost items will be incurred that involve staff retraining, additional lending staff to handle additional workload, purchase of new lending forms, programming and reformatting of the new lending forms by the credit union's data processor.

- Our current lending personnel can service a growing loan demand under current regulation. With the proposed changes, we would need to increase our lending staff by 50%. Salary and Benefits plus training to be productive are variable and would certainly stress the operating expense ratio that we are required to maintain in a fiscal manner under state regulation. An estimated cost for the additional salary and benefits could be annually of \$450,000.00.
- Currently we spend \$18,123.92 annually for our lending forms with our forms vendor. The amount provides our credit union access to digital images of the documents and intellectual property rights supplied by our forms vendor with support as needed.
- In the past, we spent approximately \$11,200.00 to reformat our forms by our data processing vendor. The dollar amount represents only the charge by the data processor to program the forms to our specifications. The data processor charges \$150 per hour to program the lending forms into the lending software that resides on the core processing system. The hourly costs can fluctuate as determined by the specifications. A closed-end loan note and disclosure would require several billable hours to program. With regards to programming, hours equals days. This cost would have to be incurred again in order to accommodate any new forms as needed by the proposed changes.
- Several hours of staff time were needed for the testing of the forms programmed by the data processor to ensure the proper specifications were being met and to make the forms ready for use to the membership. Staff time spent was approximately 162 hours at an average salary and benefit cost of \$24,657.82 expended. The process to have forms ready from programming to full utilization takes approximately 6 to 8 months conservatively.
- Costs will be passed to members in the form of higher loan rates and services delays if we are not able to hire additional personnel due to budget and expense restrictions.

All this means greater expense to credit unions and their member-owners, which will erode credit unions' competitive positions. To make a change from Open-End lending forms to Closed-End lending forms would create additional costs that were not budgeted or planned for. In smaller credit unions, this could mean their demise by liquidation or merging with another credit union due to the demands of change and the expense of which most could not afford. Therefore reducing the number of credit unions in the United States of America, who currently serve people of modest means.

Being able to offer our member owners Multi-Featured Open-End Lending provides them with

advantages of: quick access to funds, remote lending and less paperwork. The advantages for credit unions are: matching services of competitors, repeat lending business through ease of convenience, less paperwork by being more efficient, and remote lending through internet, electronic, or phone requests made by the member.

Credit unions are recognized for their outstanding service, year in and year out. It is our opinion that the current proposed changes could adversely affect the credit union's customer service reputation and disrupt the credit union industry's primary method of meeting members' demand for loans.

Respectfully submitted,

*Cindy Babin
Vice President/ Lending
US Community Credit Union
PO Box 25047
Nashville, TN 37202
Phone 615-256-8712 or 800-304-3436
Fax 615-256-8947
Email: cindy.babin@usccu.org*